

THE GEORGE WASHINGTON UNIVERSITY
School of Government

U. S. NAVY GRADUATE COMPTROLLERSHIP PROGRAM

THE INDUSTRIAL SURVEY DIVISION
OFFICE OF THE NAVAL INSPECTOR GENERAL

For
SEMINAR IN COMPTROLLERSHIP
DR. A. REX JOHNSON

Prepared By
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PREFACE

This paper is an attempt to show how the Industrial Survey Division, Office of the Naval Inspector General, functions and how the results obtained by this Division can be of greatest value to the Comptroller for the Navy.

I wish to express my appreciation to Rear Admiral R. M. Watt, Jr., USN, Director, Industrial Survey Division, Office of the Naval Inspector General, for his cooperative attitude in allowing me the use of his files and clerical staff in assembling the contents of this paper.

MEMORANDUM

This paper is an attempt to show how the Survey Division, Office of the Naval Laboratory, has been able to obtain the results obtained in this Division and to present them to the Department for the Navy.

I wish to express my appreciation to the Navy Department.

R. H. BART, Jr., USN, Director, Technical Survey Division.

Office of the Naval Laboratory, for his cooperation in this project and the use of his time and material in assembling the contents of this report.

I. INTRODUCTION

Widespread and general belief existing of great waste and inefficiency in the armed forces is brought out by the following stories appearing in recent newspaper issues.

Mr. John G. Norris, reporter for the Washington Post, in an article titled "Anti-Waste Program"¹ says that the Secretary of Defense Lovett, in his parting act, orders civilian rein on procurement. This final controversial move to eliminate military waste, resulted in an order to the Army, Navy, and Air Force to set up a civilian review group within each department to pass on manpower and material proposals of their uniformed staffs. This important organizational change also is aimed at achieving greater civilian control over the military. Defense Secretary-designate Charles E. Wilson and other Republican officials named by President-elect Eisenhower to run the Pentagon in the new Administration know about the Lovett order and are understood to view it at least tentatively with favor. * * * * The third planning phase is the budget-making process. Military planners in each service estimate the money needed to buy the approved number of guns, trucks, and K-rations. These spending proposals are reviewed in turn by

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John G. Norris, "Anti-Waste Program," The Washington Post, January 19, 1953, p. 1.

the department budget offices, Secretaries, Defense Department budget officials, Defense Secretary, Bureau of the Budget, the President, and Congress. Much of the work at each level consists of examining the requirements on which the money requests are based. Often it is found that the previously approved requirements are excessive and that savings can be made without cutting forces.

Joseph and Stewart Alsop in their column "Matter of Fact"¹ discussing the task before Secretary of Defense Charles E. Wilson say: "Another, and related disease is the Pentagon's consistent overinvestment, in both men and equipment, which has already been examined in this space."

Senator Wayne L. Morse (Ind., Ore.)² said:

"The Eisenhower crowd doesn't want me on the Armed Services Committee because they got a taste last October of what I was going to do about the tremendous waste in the armed services. The Pentagon wanted me off that committee because they know I know too much about the inefficiency and waste in the armed forces."

A well-known congressman (nameless because his talk was not for publication) in an informal talk before the Navy Class for Comptrollership at George Washington University said the average congressman, not on an appropriations committee nor on one of the Armed Forces Sub-committees, believed that waste and inefficiency was very widespread in the Armed Forces. He stated further that the type news that receives the greatest

¹ Joseph and Stewart Alsop, "Matter of Fact", The Washington Post, January 28, 1953, page 13.

² United Press, "Morse Warns of GOP Plan to 'Plunder'", The Washington Post, January 29, 1953.

Source: (1990, p. 101) based on survey data.

[illegible][illegible]

distribution and is accepted as a typical operation is the type concerning the recent spoilage of \$23,000.00 worth of meat in a western supply depot and the case of the celebrated oyster forks. The congressman also pointed out that each enlisted man, upon finishing his enlistment and receiving his discharge, becomes an emisary of ill-will, inasmuch as he remembers the occasional wasteful or inefficient acts he has observed rather than the day to day efficient functioning of the Navy.

It is this general belief of the existence of wide-spread waste and inefficiency in the Armed Forces that must be eliminated from the congressional mind before the Comptroller can really do a first-rate job of budget formulation. Before he can present a budget that is so "tight", with so little "fat" that any across the board cut must result in the curtailment of some vital function, before this is possible there must be a meeting of the minds, so to speak, a feeling of mutual trust, respect and recognition of integrity between the Congress, the Executive Department, the military planners, and the people who formulate the budget.

The question now arises as to how can we in the Navy Department go about eliminating this widespread idea of waste and inefficiency. The first and most important way is to eliminate as much waste and inefficiency as is humanly possible in such a large and complex organization. It is understood of course that we must still depend on human beings and not supermen

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It is this general belief in the wisdom of the
spread which has led to the spread of the
elimination of the Communist Party and the
can really be a first-rate job of the
the can possibly be done in the future, when the
that any action the government can take in the
even if it is true, before there is a possibility
existing of the mind, so to speak, a feeling of
passed and recognition of the fact that the
Executive Department, the military, and the people
to make the nation.

The question now arises as to how far we in the West
Department to about eliminate this widespread idea of waste
and inefficiency. The first and most important way is to eli-
minate as much waste and inefficiency as is humanly possible
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course that we may still depend on human nature and not a mere

to run a business whose working operations outweigh the combined efforts of General Motors, General Electric, and American Telephone and Telegraph Company, and whose prime mission is to be prepared to fight at a moments notice; a business that has to be kept good because there is no second prize in War.

Accepting for the moment that perhaps the Navy is not as wasteful or inefficient as is generally believed, we come to the second method of disproving the waste idea and that is by bringing to the individual congressman the picture of the Navy's attempt to eliminate waste through tried and proven industrial engineering practices.

It is with these two ideas in mind that this paper is written and an attempt will be made to bring out the value of the results obtained from the work of the Industrial Survey Division to the Budget Formulation Officer for the Navy.

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aimed efforts of Federal Reserve, Treasury, and Agriculture
Telephone and Telegraph Company, and other lines, as to
be proposed as light as a national system, a national one, and
to be kept out of the hands of the public.

According to the report, the proposed law is to be
as a matter of fact, as is generally known, and as to
the system, which is to be proposed, the law is to be
belong to the individual companies and the public, and the
system is to be a national one, and the law is to be
engineering practice.

It is also known that the law is to be
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II. ORGANIZATION AND DEVELOPMENT OF THE
INDUSTRIAL SURVEY DIVISION, OFFICE
OF THE INSPECTOR GENERAL OF THE NAVY

General Order No. 68 of 1921, reprinted as No. 13 in 1935, providing for administration of navy yards and naval stations under the Assistant Secretary, specifies as one of the activities to that end, "Inspections of navy yards and naval stations."

On September 13, 1943, Mr. Frank Knox, then Secretary of the Navy, issued a directive addressed to all Bureaus and Offices, Navy Department, including Headquarters, U. S. Marine Corps, and Headquarters, U. S. Coast Guard, and all Naval Shore Establishments,¹ in which he directed the Assistant Secretary of Navy to organize an inspection force in order that the Secretary of the Navy might be kept informed as to the efficiency of industrial operations primarily, of all shore establishments, including the effectiveness of their utilization of personnel. He further directed that this force was to conduct inspections of other shore establishments not carrying on industrial operations when directed by the Secretary of the Navy, including the

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A letter from the Secretary of the Navy to all bureaus and offices, Navy Department, including Headquarters, U.S. Marine Corps, and Headquarters, U. S. Coast Guard, and all Naval Shore Establishments, Subject: "Inspection Force in the Office of the Assistant Secretary," September 13, 1943, serial S09 13 73.

17. MEMORANDUM FOR THE SECRETARY OF THE NAVY
INDUSTRIAL SURVEY DIVISION, OFFICE
OF THE ASSISTANT SECRETARY OF THE NAVY

General Order No. 50 of 1913, referenced as G.O. 13

in 1913, providing for administration of navy yards and naval

stations under the Assistant Secretary, specifically as one of

the activities to that end, "Inspection of navy yards and naval

stations."

On September 11, 1913, Mr. Frank Knox, then Secretary

of the Navy, issued a directive addressed to all bureaus and

offices, Navy Department, including Headquarters, U. S. Navy

Yards, and Headquarters, U. S. Coast Guard, and all naval

establishments, in which he directed the Assistant Secretary

of Navy to organize an inspection force to cover that the Navy

of the Navy might be kept informed as to the efficiency

of industrial operations primarily, of all naval establishments

including the effectiveness of their utilization of resources,

and further directed that this force was to conduct inspection

of other naval establishments not existing in industrial yards

since then directed by the Secretary of the Navy, including the

of the Assistant Secretary, "September 11, 1913, serial 109 11

A letter from the Secretary of the Navy to all

heads and offices, Navy Department, including Headquarters, U. S.

Naval Yards, and Headquarters, U. S. Coast Guard, and all naval

establishments, "September 11, 1913, serial 109 11

establishments of the Marine Corps and the Coast Guard and that the findings of the inspection force were to be reviewed by the Secretary of the Navy.

This force was officially started on 20 January 1944 when the reorganization of the Office of the Assistant Secretary of the Navy set up new divisions: (1) Shore Establishments and Civilian Personnel, (2) Administrative Office, (3) Transportation Branch, (4) Management Engineer, (5) Inspection Division.¹

On January 1, 1944, the Assistant Secretary of the Navy, Mr. Ralph A. Bard, requested the Chief of Bureau of Naval Personnel to issue orders detaching Rear Admiral C. W. Fisher, U. S. N., as Director of Shore Establishments Division when directed by the Assistant Secretary of the Navy, and ordered to duty as Director of the Inspection Division of the Office of the Assistant Secretary of the Navy.² Mr. Bard stated further that Admiral Fisher was to continue his duty as member of the Navy Manpower Survey Board in accordance with existing orders and that it was intended that the active work of the Inspection Division would begin upon the termination of his duty with the Navy Manpower Survey Board.

¹ A letter from the Assistant Secretary of the Navy, approved by Mr. Frank Knox, to all Bureaus and Offices, Navy Department, including Headquarters, U. S. Marine Corps, and Headquarters, U. S. Coast Guard, Subject: "Organization of Assistant Secretary's Office," signed Ralph A. Bard, 5 Jan 1944.

² A memorandum from Mr. Ralph A. Bard, Assistant Secretary of the Navy, to the Chief of Bureau of Naval Personnel, 1 January 1944, serial SOSED-O-crc.

On January 1, 1941, the Assistant Secretary of the Navy, Mr. John A. Ford, requested the Chief of Bureau of Naval Personnel to issue orders directing that the following U. S. Navy personnel at home and overseas be placed in the Reserve Component of the Navy and remain in that status until the expiration of their term of service as Director of the Inspection Division of the Bureau of Naval Personnel of the Navy. The Assistant Secretary of the Navy, Mr. Ford, stated further that the following personnel are to continue as such as of the date of the order and in accordance with existing laws and regulations.

^a A memorandum from Mr. Ralph L. Davis, Assistant Secretary of the Navy, on the status of the Navy's program of research and development, dated 10-10-45.

Captain L. M. Atkins was ordered to the Inspection Division and in February, 1944, he wrote a number of letters to naval officers located in the various naval and private shipyards in which he told of the organization of the inspection force, and in which he stated the real object of the Inspection Force was to make brief, readable reports, which would be helpful to the field and to the responsible operating Bureaus, concentrating upon the questions involving efficiency and uniformity of industrial operation.¹ He asked each officer for comments and ideas for the best type of inspection in the most concentrated and valuable form.

The answers to Captain Atkins' letters contained many valuable suggestions and comments several of which are still being followed today. He was advised that: only experienced officers or civilians who were in touch with the requirements of the fleet, and with the latest mechanical processes, materials and business procedures should be selected for duty with the Inspection Division; continuity of inspection work experience was to be considered essential, inasmuch as there seemed to be no direct measure of efficiency, and a comparison of results obtained between the various yards working under similar conditions seemed to be the most fertile field of obtaining results; confidence in the Inspection Division, practical

¹ A letter from Captain L. M. Atkins, to Rear Admiral C. S. Gillette, USN, Puget Sound Navy Yard, Bremerton, Washington, 25 February 1944, serial LMA:hd.

recommendations capable of being acted upon by various bureaus and yards, sympathetic understanding and representation of field needs in the Navy Department, and finally, an Inspection Function that would operate to insure better administrative control and to assist in obtaining better operational results.

On 18 April 1944 the Navy Manpower Survey Board in a letter to the Secretary of the Navy included the following Statement and recommendations:¹

(a) The Navy Manpower Survey Board would complete by 1 June 1944 all its surveys of Navy, Marine Corps and Coast Guard Shore Establishments, with the exception of the Navy Department, Marine Corps Headquarters, and Coast Guard Headquarters.

(b) Certain shore stations had been found to be overmanned with naval and civilian personnel. Other stations were found to be undermanned. Those situations were in the process of being corrected.

(c) Commanding Officers and other authorities at Naval Shore Establishments had become more conscious of the necessity for conserving manpower.

(d) While these surveys had helped substantially to improve manpower utilization in Shore Establishments, there had not been sufficient time to make thorough studies and analyses of each activity and each organization.

(e) The Board was of the opinion that most of the benefits enumerated above would be lost unless a similar Board

¹ A letter from Vice Admiral Adolphus Andrews, USN (Ret), Senior Member, Navy Manpower Survey Board, 18 April 1944, serial NMSB/F-jws 953.

or some other agency within the Navy Department continued to maintain constant surveillance over the utilization of manpower. This surveillance was to be broad in scope embracing officer, enlisted and civilian personnel of the Navy, Marine Corps and the Coast Guard Shore Establishments. It was believed that there should be a centralized agency directly responsible to the Secretary with respect to utilization of manpower in Shore Establishments.

(f) The proposed Board should be directed to present to the Secretary a plan providing for such surveillance including the establishment of a system of inspections and controls.

Admiral Andrews concluded his letter with a strong recommendation that a continuing Navy Manpower Board be established directly under the Secretary of the Navy at an early date, thereby giving it the benefit of personal contact with the members of the present Navy Manpower Survey Board, its technical staff and records.

Admiral E. J. King, Commander in Chief, United States Fleet, and Chief of Naval Operations, in a letter dated 18 April 1944¹ also recommended that the Navy Manpower Survey Board, together with its subsidiary Naval District Manpower Survey Committees and Survey Groups, be continued in effect and be charged with continuous surveillance of Navy, Marine Corps and Coast Guard Shore Establishments in order to insure

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A letter from Admiral E. J. King, Commander in Chief, United States Fleet, and Chief of Naval Operations, to the Secretary of the Navy, 18 April 1944, FF1/QB serial 2938.

to some extent agency within the Navy Department... maintain constant surveillance over the activities of the... power. This surveillance was to be based in some measure... officers, vessels and civilian personnel of the Navy, Army... Corps and the Coast Guard (Administration). It was... issued that there should be a centralized agency... responsible for the Secretary with respect to activities of... personnel in these establishments.

(2) The proposed Board should be directed to... to the Secretary, a plan providing for such surveillance... for the establishment of a system of inspection and... Admiral Andrews recommended his letter with a... recommendation that a committee Navy Department Board of... established directly under the Secretary of the Navy to... take, thereby giving it the benefit of personal contact with... the Secretary of the Navy and Navy Department Board... technical staff and records.

Admiral H. S. King, Commander in Chief, United States... Fleet, and Chief of Naval Operations, in a letter dated 10... April 1914, also recommended that the Navy Department Board... Board, together with the Assistant Secretary, should... Navy Department and Navy Board, be established in... and be charged with combined surveillance of Navy, Army... Corps and Coast Guard (Administration) in order to... 2

A letter from Admiral H. S. King, Commander in Chief, United States Fleet, and Chief of Naval Operations, to the Secretary of the Navy, 10 April 1914, dated 1914.

that economy of personnel continues to be practiced.

Mr. Frank Knox disapproved the recommendation for the continuation of the Navy Manpower Survey Board for the following reasons:¹

(a) The proper follow-up of the work done by the Navy Manpower Survey Board should be carried on by the already-created inspectorship of personnel, with Admiral Fisher in charge. Mr. Knox stated he thought that this inspection department, under Assistant Secretary Bard, would serve very adequately in this capacity and that he was strongly opposed to the continuation in existence of so large and widespread an organization as that which constituted the Navy Manpower Survey Board.

A directive issued by the Secretary of the Navy on 20 June 1944 and signed by Mr. James Forrestal is hereby quoted in part:

"1. The directive establishing an Inspection Force in the Office of the Assistant Secretary of the Navy is hereby cancelled.

2. In order that the Secretary of the Navy may be kept informed as to the efficiency of operation of the industrial activities of the shore establishments of the Navy, the Marine Corps and the Coast Guard, including the effectiveness of utilization of personnel engaged in industrial work, there is hereby established an Industrial Survey Division for this purpose, responsible directly to the Secretary of the Navy. The Industrial Survey Division shall advise the Secretary concerning these matters, and shall from time to time inspect such industrial activities and report the results thereof to the Secretary with pertinent observations and recommendations.

¹ A letter from Mr. Frank Knox, the Secretary of the Navy, to the Commander in Chief, United States Fleet, 19 April 1944, serial EN1:k:1.

3. A suitable staff, clerical assistance, office space, etc., will be assigned to the Industrial Survey Division. The staff may consist of officers or civilians or both. Industrial engineers or other specialists may be employed temporarily as needed. Insofar as practicable, the Industrial Survey Division will, in conjunction with its own staff, make use of the services of personnel already serving the various bureaus, offices, and field activities. The Industrial Survey Division may requisition naval personnel for temporary assignment to conduct specific inspections as required.

4. The creation and activities of the Industrial Survey Division shall in no way change nor interfere with the established channels of administrative authority. Bureaus and offices will continue to have direct responsibility for the operation and upkeep of the respective shore establishments that have been assigned to them.

5. The creation of the Industrial Survey Division does not alter the existing authority of the Naval Inspector General and liaison with that office will be established to prevent duplication of effort and to arrange satisfactory procedures in cases where their respective fields seem to overlap or where they have common interests.

6. The term "industrial activities", as used herein, is defined for the purposes of this order, as meaning activities (except those which are part of the U. S. Fleet) engaged in the production of material or its servicing, maintenance, alteration or repair. Such industrial activities shall be surveyed by the Industrial Survey Division. Hence the directive to the Naval Inspector General to

'(d) Inspect shore establishments and shore based Fleet activities to determine if they are being utilized to the best advantage and if their facilities and military personnel are in excess, adequate, or deficient...'

shall be construed to direct the Naval Inspector General to make military and operational inspections as distinguished from industrial surveys which shall be made by the Industrial Survey Division.

7. The reports and recommendations of the Industrial Survey Division will be reviewed by the Secretary of the Navy, and will also be reviewed with the appropriate bureaus and offices by the Secretary or his agent. Orders involving corrective action will be issued only by the bureaus or offices having direct administrative authority.

3. A specific staff, officers, assistants, and clerks, etc., will be assigned to the Industrial Survey Division. The staff will consist of officers or civilians or both. Industrial engineers or other specialists may be employed temporarily as needed. Technical specialists, for example, survey division will, in consultation with its own staff, make use of the services of personnel already serving the Survey Division, officers and field activities. The Industrial Survey Division will utilize naval personnel for temporary assignments as required. Specific inspections as required.

4. The creation and activities of the Industrial Survey Division shall in no way change our relationship with the established channels of administrative authority. Surveys and inspections will continue to have direct responsibility for the operation and upkeep of the respective shore establishments that have been assigned to them.

5. The creation of the Industrial Survey Division does not alter the existing authority of the Naval Inspection Division and liaison with that office will be maintained as heretofore. In cases where specific fields need to be visited on shore, they have been indicated.

6. The term "Industrial Activities", as used herein, is defined for the purpose of this order, as meaning activities through which there are gains to the U. S. Navy, and in the promotion of material of its activities, maintenance, improvement or repair. Such industrial activities shall be referred to as Industrial Survey Division. Hence the director of the Naval Inspection Division is

(1) Inspect shore establishments and their ships. These activities are determined if they are being utilized to the best advantage and if their facilities and activities are being put to use, expanded, or improved.

There is no intention to alter the Naval Inspection Division's main activity and operational responsibilities as distinguished from industrial surveys which shall be made by the Industrial Survey Division.

7. The report and recommendations of the Industrial Survey Division will be reviewed by the Secretary of the Navy. It will also be reviewed with the appropriate command and officers of the Department of the Navy. Other interested parties will be invited only as far as known or office action direct administrative authority.

Mr. Forrestal on 28 June 1944¹ directed the Chief of the Bureau of Naval Personnel to issue orders, effective 30 June 1944, to Rear Admiral S. W. Fisher, USN, and Captain L. M. Atkins, USN, detaching them from duty with the Inspection Division, Office of the Assistant Secretary of the Navy, and directing them to report to the Secretary of the Navy for duty in the Industrial Survey Division, Office of the Secretary of the Navy. Admiral Fisher was to be Director, Industrial Survey Division.

During the month of June and July, Admiral Fisher had conferences with Secretary Forrestal, Under Secretary Bard, Bureau Chiefs and various officers from the Office of the Chief of Naval Operations. The conferences were used as a means of "selling" the concept of the Industrial Survey Division, changing as much as possible opposition to cooperation, and gathering nominations for the staff of the Division.

From 7 through 10 September 1944, the Industrial Survey Division made its first field survey at the U. S. Naval Torpedo Station, Newport, R. I., a report of which was sent to the Secretary of the Navy on 23 September 1944.

On 27 December 1945 Mr. Forrestal transferred the Management Engineer's Office, together with all of its functions,

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A letter from the Secretary of the Navy to the Chief of the Bureau of Naval Personnel, 28 June 1944, signed James Forrestal, serial LMA:hmr 6722.

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During the month of June and July, 1914, the
and cooperation with the Bureau of Forestry, the
between the two and various other agencies of the
of the Bureau of Forestry, the Bureau of
"Gelling" the Bureau of the Bureau of Forestry.
concerning the Bureau of Forestry is suggested and
the Bureau of Forestry for the staff of the Bureau.

duties, responsibilities and personnel to the Industrial Survey Division.¹ The Director of the Industrial Survey Division was to assume the duties of the Management Engineer in addition to his regular duties. On 29 May 1946 the Secretary of Navy established the Office of the Management Engineer within the Executive Office of the Secretary and transferred the functions, duties, responsibilities, and personnel of the Management Engineer's Branch, Industrial Survey Division to the Office of the Management Engineer.²

On 4 February 1950 the Secretary of the Navy issued a directive concerning the consolidation of field surveys and coordination of field inspections.³ The Office of the Naval Inspector General was assigned the responsibility of effecting coordination of all surveys and inspections of the Naval Shore Establishment and of shore based Fleet Activities. The following function of the Office of the Naval Inspector General was given: (b) To study and appraise the operational and management efficiency of Naval Shore Establishments and of shore based Fleet Activities. This study and appraisal shall include a review of assigned missions and tasks, operational and administrative procedures, utilization of manpower, and

¹ A letter from the Secretary of the Navy to Bureaus, Boards, and Offices, Navy Department, signed James Forrestal, 27 December 1945.

² A letter from the Secretary of the Navy to All Bureaus, Boards, and Offices of the Navy Department, signed W. John Kenney, Acting, 29 May 1946, WJK:ss.

³ A letter from the Secretary of the Navy to All Bureaus, and Offices, Navy Department, Commanders Sea Frontiers, Commandants, Naval Districts, and River Commands, signed Francis P. Matthews, 4 February 1950, Op-08/BL, serial 6p08.

On 1 February 1950 the Secretary of the Navy issued a directive concerning the reorganization of the Navy's research and development activities. The purpose of the directive was to provide for the most efficient and economical use of the Navy's resources in the field of research and development. The directive was issued in the form of a letterhead memorandum (LHM) to the Chief of Naval Operations, who was to transmit it to the appropriate commands and agencies. The LHM was numbered 1650.1 and was signed by the Secretary of the Navy.

compliance with prescribed policies, doctrines, and technical instructions.

To the extent required for implementation, personnel assigned to the Office of Industrial Survey and to the Shore Establishment Survey Board were to be transferred to the Office of the Naval Inspector General. With respect to those activities for which the Secretary of the Navy was responsible the Naval Inspector General was to be considered the agent of the Secretary of the Navy; with respect to those activities for which the Chief of Naval Operations was responsible, the Naval Inspector General was to be considered the agent of the Chief of Naval Operations.

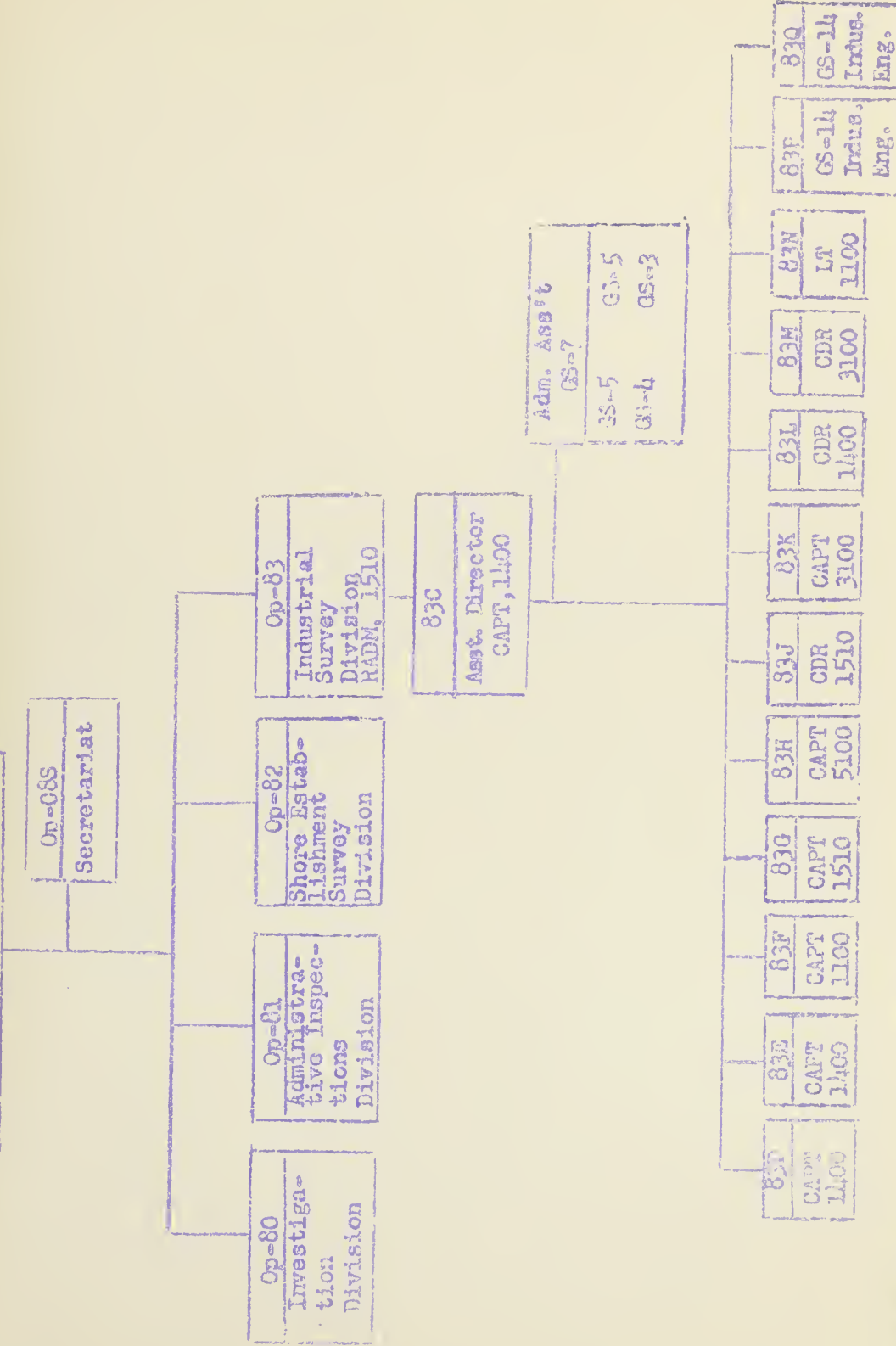
On 23 September 1952 the Secretary of the Navy issued an instruction assigning the sponsorship and review of the activities of the Industrial Survey Division, Office of the Naval Inspector General to the Under Secretary of the Navy.

The present organization is shown on the next page.

The Division is headed by the Director, Industrial Surveys, and the Staff is made up of specialists in Aeronautics, Civil Engineering, Supply, Ship's Maintenance and Construction, (both hull and machinery), Ordnance, Personnel, and Management Engineering. These personnel are officers of senior rank and civilians, both with considerable industrial experience. At the present time both civilian staff positions are temporarily vacant.

¹SECNAV INSTRUCTION 5430.2 from the Secretary of the Navy to Distribution List A, 23 September 1952.

On-08
Naval Inspector
General



Approved: *[Signature]*
J. B. Pearson, Jr., Chairman
15 November 1951

III. THE MISSION AND PROCEDURES OF THE
INDUSTRIAL SURVEY DIVISION, OFFICE
OF THE INSPECTOR GENERAL OF THE NAVY

The exact mission, as presently stated, for the
Industrial Survey Division is:

"To study and appraise the operational and management efficiency of the Naval Shore Establishment and of shore-based Fleet Activities. This study and appraisal shall include a review of assigned missions and tasks, operational and administrative procedures, utilization of manpower, and compliance with prescribed policies, doctrines, and technical instructions."

The following is a brief outline of the methods used in carrying out the above mission.

1. Survey schedules are prepared by the Assistant Director and promulgated by INSGEN Notices. These periods may cover from one to two quarters.

2. A letter to the activity announcing the survey is prepared two or three months before the survey is scheduled to begin, in order that background material may be forwarded to the Industrial Survey Division in time for study by all members of the staff.

3. Immediately after the announcement letter is sent to the activity, a letter is sent to the management bureau concerned requesting the management bureau to nominate representatives from that bureau, and also to suggest suitable members from industry. The letter further requests that personnel of

III. THE STUDY AND RESEARCH OF THE
INDUSTRIAL SURVEY DIVISION, OFFICE
OF THE SECRETARY OF THE ARMY

The exact mission, as previously stated, for the

Industrial Survey Division is:

"To study and appraise the operational and economic
efficiency of the Army's Ordnance Department and of its
fleet activities. This study and appraisal shall include a
review of existing plans and tasks, operations and
active procedures, utilization of resources, and
with present policies, doctrines, and technical facilities

The following is a brief outline of the work to be

in carrying out the above mission.

1. Survey schedules are prepared by the Industrial Survey

and promulgated by the Ordnance Department. These schedules may vary

from one to two years.

2. A report to the activity concerning the survey is prepared

based on the data received before the survey is completed by

ordinance, to which the Department's report is forwarded to

the Industrial Survey Division in time for study of all members

of the staff.

3. Immediately after the announcement is made to

the activity, a letter is sent to the Ordnance Department, con-

cerned regarding the Department's report to the Industrial Survey

Division from that Bureau, and also to suggest various matters

from industry. The latter Bureau's requests are forwarded to

the bureau be designated to brief members of the ISD Staff on current conditions at the activity. This briefing is usually held the first part of the week immediately preceding survey, to allow time before departure for development of items uncovered in the briefing. The Bureau Chief is also told that ISD will look into and report on any specific matters he may wish.

4. Industry representatives are usually chosen from prominent members of allied or related civilian industry. Approximately two months before the survey is scheduled to begin, the Director contacts the industry people by telephone and invites them to participate in the survey. The Director is empowered to offer a contract for their services, however most firms prefer to donate the services of the individual. The individual is then kept informed by letter of all the survey details as well as information on transportation, housing, etc.

5. The background information received from the activity to be surveyed is duplicated for each staff member and guest. A folder containing this material, plus the work assignment sheet showing the area which each staff member will cover, the officer's orders and directives, copy of the last report of survey of the activity, and any other pertinent information is prepared and furnished to each participating member and guest.

6. When all transportation arrangements are complete and the composition of the survey party is known, a letter furnishing this information is sent to the activity to be surveyed.

[illegible]

4. Individual responsibility for security cannot be placed on the shoulders of the individual. The individual is responsible for his own security, but the security of the community is a collective responsibility. The individual is responsible for his own security, but the security of the community is a collective responsibility. The individual is responsible for his own security, but the security of the community is a collective responsibility.

4. The program information received from the various sources is being used in the following manner:

a. The information is being used to determine the extent of the problem and to develop a plan of action.

b. The information is being used to determine the needs of the community and to develop a plan of action.

c. The information is being used to determine the resources available and to develop a plan of action.

d. The information is being used to determine the responsibilities of the various agencies and to develop a plan of action.

e. The information is being used to determine the progress of the program and to develop a plan of action.

f. The information is being used to determine the effectiveness of the program and to develop a plan of action.

5. The program information received from the various sources is being used in the following manner:

a. The information is being used to determine the extent of the problem and to develop a plan of action.

b. The information is being used to determine the needs of the community and to develop a plan of action.

c. The information is being used to determine the resources available and to develop a plan of action.

d. The information is being used to determine the responsibilities of the various agencies and to develop a plan of action.

e. The information is being used to determine the progress of the program and to develop a plan of action.

f. The information is being used to determine the effectiveness of the program and to develop a plan of action.

7. The survey is opened at the activity with a conference held with the Commanding Officer and his principal department heads, to become better acquainted and to outline and clarify the methods of accomplishing the survey, and to make a plan for above-board explanations and frank statement of problems. Following this conference each survey member proceeds to secure all information possible about the elements assigned to him by studying charts, files, records, by observing operations, and by talking to local personnel. An interim conference is usually held in the middle of the week to exchange information among staff members regarding areas which should be explored in greater detail and which fall within someone else's work area. Prior to leaving the station the Staff holds a conference, at which time conditions observed are discussed in detail and a list of tentative recommendations is prepared. The Commanding Officer of the station is informed of these recommendations and his comments are noted. From the data collected, a rough report is compiled and distributed to the interested Bureaus and Offices. The report is divided into five parts: General Summary, Background Data, Details of Administration, Statistics, and Summary of Recommendations. This report describes in considerable detail the conditions observed, and sets forth the tentative recommendations. Each recommendation indicates the Bureau or Office having primary interest. An opportunity is given the interested bureaus and offices to study this proposed report prior to a final

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conference. At this conference, representatives of interested Bureaus meet with the Staff and freely discuss any item or recommendation included therein. Based on agreements reached at this final conference, a smooth report is prepared and submitted to the Secretary of the Navy for his approval. The approval of this report by the Secretary constitutes, in effect, a directive for accomplishment. Copies of the report, after Secretary approval, are sent to all parties concerned. Orders involving corrective action are issued only by the Bureaus or Offices having direct administrative authority. Every effort is made to formulate recommendations in sufficiently broad terms so as not to encroach on this authority.

8. The Bureaus or Offices concerned are requested to make a report of progress of accomplishment not later than six months after the survey in order that the Naval Inspector General may keep the Secretary informed of such progress. Letters from Bureaus and Offices informing ISD what action they have taken to carry out recommendations are routed to concerned members of the staff for information and concurrence. A member of the staff is responsible for insuring that satisfactory action has been taken on each recommendation. If, at the end of six months, replies have not been received, a request for reply is sent. When all action is completed, a letter to that effect is prepared and the report is then considered complete.

9. In addition to the report on each individual survey, composite reports are prepared covering across-the-board

recommendations for all shipyards, air stations, etc. These recommendations are in broad terms, requiring considerable study by the cognizant Bureaus or Offices and, in some instances, require a change in policy.

The Industrial Survey Division was originally scheduled to conduct a survey of each of the Navy's industrial activities, employing more than one thousand civilians, every two years. However a recent long-range tentative schedule shows they can cover only those activities employing over two thousand people in a three-year period. The activities listed on this schedule employ about two-thirds of the civilian employees in the Navy's continental activities.

In going over the objectives of this paper with Rear Admiral R. M. Watt, Jr., USN, present Director, Industrial Survey Division, Admiral Watt, in an amplification of the mission of the Division said there are two objectives for holding the surveys.

The first is to help the activity to develop maximum efficiency, maximum productivity, maximum ability to support the Armed Forces either for continued cold war or what is more important for an all-out global war.

The second objective is, and having in mind the fact that we may be faced with five, ten or perhaps X years of cold war, getting the Armed Forces to learn to get maximum striking power out of fifty billion dollars a year or perhaps even less. We think today that the economy, strong and booming as it is,

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can probably stand our taking fifty billion dollars a year - it can't stand any more than that and it may have to be less than that, and that means that the three services have got to learn to get maximum striking power out of that amount of money. That means cutting out different plusn operations, every non-essential which doesn't make a real contribution to that striking power.

Part of a speech given by Rear Admiral B. F. Manseau, USN, Director, Industrial Survey Division, at Management Engineers Institute, 31 October 1952, is hereby quoted:

"Now what do these surveys accomplish? Well, for one thing, they serve to give the Secretary a specific report on how each of the activities surveyed is performing. Certainly, 14 or 18 people spending only a week in a large plant such as the Naval Supply Center, Norfolk, which we surveyed last week, may overlook many important items. But even in the short time I have been connected with the Industrial Survey Division, I certainly know that the Board can hardly help but come up with impressions that are truly indicative of the efficiency of operations and management. Due to the nature of the surveys, where we take plant by plant and go into the details of operation, and considering the differences between plants, I find that the recommendations do not follow any particular pattern. We call the shots as we see them and as they apply to the specific plant under survey. Our findings at one place furnish clues for questioning in another. Where we find worthwhile procedures or practices at one plant, we recommend their adoption where applicable to others. As previously indicated, an average of about 55 recommendations are made. Most are very broad in nature, so it is difficult to accurately evaluate the monetary savings resulting from their adoption. Attempts have been made to estimate possible savings if all of the approved recommendations involved in a particular survey were effectively carried out. One such estimate made some time ago indicated that savings of about two million dollars annually could be made. As stated, though, the extent of savings is difficult to evaluate and perhaps more difficult to prove. Seldom is the picture clear-cut. Perhaps some of the more important benefits of industrial surveys are intangible but they are there. I think

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industrial surveys would still be worthwhile if we made no recommendations at all nor prepared any report. In general, we find that all levels of management in each plant are very anxious to run the Navy's very best operation. Key personnel are intelligent, conscientious, and competent. In our operation we strive to encourage them to frankly describe their operations and explain their problems. We point out that we are on the same time as they, and are looking toward the same end. Conversations and discussions and the exchange of ideas during the survey do much to stimulate thought and I would venture to say that for every specific recommendation the Board makes as a result of a survey, local management comes up with a dozen different, useful ideas which they themselves apply. Another thing, in order to get unbiased opinions as to how the Navy is doing in the eyes of industrialists, and to get industry's suggestions as to how the Navy might conduct its business more efficiently, we make it a practice to invite guest members from industry to assist in the surveys. Invariably, these guest members are top-level in their field. Also invariably, guest members have been impressed with the magnitude of the Navy's industrial operations and the efficiency with which they are conducted. As an indication of how surveys are accepted by local management, and what guest members from industry think of the Navy's operation, I will quote from a few letters we have received:

Naval Gun Factory, Washington 25, D. C.
Rear Admiral B. H. Hanlon, USN

'We found your survey to be most constructive in its recommendations. Somehow, most inspections and/or surveys create the air of destructive criticism. Yours did not in any echelon in this command. Without exception my people have told me they found the survey and its members sympathetic to their problems and helpful in recommending solutions.'

L. A. Hyland, Vice President, Bendix Aviation Corporation,
Fisher Building, Detroit 2, Michigan

'Perhaps my best expression of your work is that as a citizen and as a taxpayer I am happy to have had the opportunity to observe it and to note the recommendations which you have made.'

J. R. Bailey, Engineering Service Division, E. I. duPont
DeNemours & Company, Wilmington, Delaware.

'You have some excellent men in this group, and they are certainly being of major assistance in cost reduction in naval operations.'

W. C. Tinus, Director of Military Electronics Development,
Bell Telephone Laboratories, Whippany, New Jersey

'I am very much impressed by the comprehensive nature of your observations and the many constructive recommendations.'"

Admiral Manseau concluded his speech by saying he thought the Navy's use of leading industrialists in assisting in the surveys was one of the best ways of publicizing the Navy's Industrial operations. That if they find the Navy conducting its business efficiently, perhaps they will spread the word to others. And if they can show the Navy a more efficient way to conduct their business, they have an opportunity to do so, and the Navy should certainly take heed.

It is the writer's opinion that the Industrial Survey Board does the two things necessary to combat the idea of waste and inefficiency. First it actually eliminates waste and inefficiency at the source and second it furnishes a very good medium of favorable publicity. The writer feels therefore the Navy should do two things to enhance the value of the Industrial Survey Board and to get the very greatest return possible from its operations.

1. Create a second Board, or team, with fewer, but of the same caliber, members, for the purpose of surveying industrial type organizations with less than two thousand employees.
 2. Encourage Congressional participation in the surveys.
- Every effort should be made to get the Congressman from the district of the surveyed activity to be present for at least a part

of the survey. This would serve as an excellent opportunity for the Congressman to meet with his constituents as well as become acquainted with federal projects in his district. Effort should be made to include Congressional members of the appropriation committees in surveys held close to Washington. The Naval industrial activities in Boston, New York, Philadelphia, Baltimore, Norfolk, and Charleston are all within three hours flying time and would be possible places for Congressional participation.

This last recommendation might well take the combined efforts of the Industrial Survey Board and the Comptroller for the Navy.

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